

Moody's Investors Service: Aa1
Standard & Poor's Corporation: AA+
Fitch, Inc.: AA+
(See "Ratings" herein)

FINAL DISCLOSURE STATEMENT DATED _____

Upon execution and delivery of the Installment Purchase Agreement, it is expected that Bond Counsel will render its opinion that, under the laws, regulations, rulings and decisions existing on the date of such execution and delivery, assuming compliance with certain covenants and agreements described in the documents referred to herein, interest on the Installment Purchase Agreement will not be includable in the gross income of the Registered Owner thereof for purposes of federal income taxation, except as set forth herein under "TAX EXEMPTIONS," and that under existing statutes, interest on the Installment Purchase Agreement will be exempt from taxation by the Commonwealth of Virginia and any political subdivision thereof. As described herein under "TAX EXEMPTIONS," interest on the Installment Purchase Agreement, for purposes of federal income taxation, does not represent a tax preference item for purposes of the calculation of the alternative minimum tax applicable to individuals and corporations; however, interest earned on the Installment Purchase Agreement may be included in the calculation of a corporation's alternative minimum taxable income for purposes of federal income taxation and will be subject to federal income tax consequences as described herein under "TAX EXEMPTIONS".

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CITY OF VIRGINIA BEACH, VIRGINIA
INSTALLMENT PURCHASE AGREEMENT NO. 200__-____
(Agricultural Reserve Program)

Dated: _____, 200__

Interest Payable: June 1 and December 1

Due: _____, 20__

First Interest Payment Date: _____, 200__

Principal amount: \$_____

Form: Registered

Payable: Interest on, and principal of, the Installment Purchase Agreement will be paid by Wachovia Bank, National Association (the "Registrar") as Registrar and Paying Agent under the Installment Purchase Agreement.

Purpose: The City of Virginia Beach, Virginia (the "City") is purchasing from the owner (the "Seller") of certain land the development rights in that land pursuant to the Installment Purchase Agreement.

Security: The Installment Purchase Agreement is a general obligation of the City and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal and interest due under the Installment Purchase Agreement.

**THIS FINAL DISCLOSURE STATEMENT AND THE INFORMATION
CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, AND
AMENDMENT WITHOUT NOTICE.**

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the City, the Installment Purchase Agreement, or the City's Agricultural Reserve Program other than those contained in this Disclosure Statement, and, if given or made, such other information or representations must not be relied upon. This Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any rights in the Installment Purchase Agreement by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements to their provisions. Any statements made in this Disclosure Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Disclosure Statement nor the execution and delivery of the Installment Purchase Agreement shall under any circumstances create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

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CITY OF VIRGINIA BEACH
INSTALLMENT PURCHASE AGREEMENT NO. 200__ - ____
(Agricultural Reserve Program)

INTRODUCTION

In order to promote and encourage the preservation of farmland in the rural southern portion of the City where agricultural uses predominate, the City, under the authority granted by the Open Space Land Act, Chapter 17, Title 10.1 of the Code of Virginia of 1950, as amended (the Open Space Land Act), enacted Ordinance No. 95-2319, as amended, known as the Agricultural Lands Preservation Ordinance (the "Ordinance"). The Ordinance establishes an agricultural reserve program (the "Program") designed to (i) promote and encourage the preservation of farmland, and promote and enhance agriculture as an important industry within the City, (ii) preserve the rural character of the southern portion of the City, (iii) conserve and protect environmentally sensitive lands, waters and other resources, (iv) reduce and defer the need for major infrastructure improvements in the southern portion of the City and the expenditure of public funds for such improvements, (v) preserve open spaces, and (vi) assist in shaping the character, direction and timing of community development. The City will endeavor to achieve these goals through the voluntary purchase of agricultural land preservation easements from owners ("Sellers" and individually, "Seller") of land located in the portion of the City subject to the Ordinance which meet the eligibility criteria of the Ordinance. The interest acquired by the City is to be evidenced by a Deed of Easement to be recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, granting unto the City, in perpetuity, the development rights (the "Development Rights") of the subject land. The City's obligation to pay for an agricultural land preservation easement is to be evidenced by an installment purchase agreement (the "Installment Purchase Agreement") by and between the Seller and the City.

The purpose of this Disclosure Statement, which includes the attached appendices, is to provide certain information concerning the Program and the Installment Purchase Agreement.

Any questions concerning the content of this Disclosure Statement should be directed to the Department of Finance, Room 220, Building #1, Municipal Center, Virginia Beach, Virginia 23456, (757) 427-4681 or the Department of Agriculture, Room 224, Building #14, Municipal Center, Virginia Beach, Virginia 23456, (757) 426-5775.

RATINGS

Ratings have been assigned by Moody's Investors Service, 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, and Fitch, Inc., One State Street Plaza, New York, New York 10004, as shown on the front cover. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this

Disclosure Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Installment Purchase Agreement.

THE PROGRAM

Procedure

A Seller interested in participating in the Program must file with the Director of the Department of Agriculture, or his designee (the "Director"), an application on a form prescribed by the Director, together with any required supporting documentation. If the application is determined by the Director to be complete and the property meets the eligibility requirements under the Ordinance, the City Manager will determine the value of the Development Rights of the Property and make an offer to the Seller, subject to the availability of funding and the approval by City Council. In the event the offer is accepted by the landowner, the Installment Purchase Agreement is submitted by the City Manager to the City Council for approval. The City Council is authorized to approve an Installment Purchase Agreement if funding is available and if there is a finding by the City Council that the proposed terms and conditions of the Installment Purchase Agreement are fair and reasonable and in furtherance of the purposes of the Ordinance. If, however, available funding is insufficient to purchase the development rights on all properties which are the subject of pending applications under the Ordinance, the Director will recommend the number of Farmland Ranking System points (which are outlined in the Ordinance) to be assigned to the property and submit his evaluation to the members of the City's Agricultural Advisory Commission, the City Manager, and the Seller. The Agricultural Advisory Commission will review the application and the Director's evaluation, assign the Farmland Ranking System points (which is final and unappealable) and file a report with the City Manager. If there are insufficient funds to purchase the Development Rights of all properties with respect to which applications are filed, the City Council is mandated to approve purchases according to a priority established by the points assigned under the Farmland Ranking System.

Eligibility

Property is eligible for the Program only if it satisfies all of the following requirements:

- (i) the property contains at least ten (10) acres (or is combined with contiguous property which, in the aggregate, contains at least ten (10) acres);

(ii) the property is situated wholly within a residential zoning district, an AG-1 or AG-2 Agricultural District or a P-1 Preservation District;

(iii) the property is capable of being subdivided or developed for nonagricultural uses without the approval of the City Council;

(iv) the property is located within the portion of the City delineated on the map entitled, "AREA OF APPLICABILITY, AGRICULTURAL RESERVE PROGRAM," dated February 2005, which map is on file in the Department of Agriculture, except in those areas under the ownership or control of the United States of America or the Commonwealth of Virginia or an agency or instrumentality thereof);

(v) the property does not contain any property required to be preserved or set aside for open space, recreation or similar purposes pursuant to the provisions of a conditional use permit, conditional zoning agreement, subdivision variance, other action by the City Council or any ordinance or regulation;

(vi) no uses or structures other than those permitted by the Easement (hereinafter defined) will be located upon the property; and

(vii) no portion of the property contains any of the following soil types:

- (a) Back Bay Mucky Peat;
- (b) Dorovan Mucky Peat;
- (c) Nawney Silt Loam; or
- (d) Pamlico Mucky Peat, Ponded.

Easement and Agricultural Use

If the Seller's application is approved and the offer made by the City Manager is accepted, the property is accepted into the Program through the Seller's delivery to the City of a perpetual agricultural land preservation easement (the "Easement") in the form of the Deed of Easement attached hereto as **Appendix A**. The Easement conveys, by general warranty and English covenants of title, all of the Seller's right to develop the subject land for any commercial, industrial, residential or other use which is not expressly permitted by the Ordinance. Sellers who have reserved one or more building sites for future development may, upon proper subdivision of the property, construct one (1) single-family dwelling upon the Land, together with such accessory uses and structures as are allowed by Section 401(b) of the City Zoning Ordinance, for each building site so reserved. Lots so subdivided shall, to the extent possible, contain no more than three (3) acres of land encumbered by the Easement and shall be in compliance with all applicable laws, ordinances, regulations and requirements of the City, including, without limitation, the City Zoning Ordinance (City Code

Appendix A) and Subdivision Regulations (City Code Appendix B). The Ordinance will permit the owner of the land to continue to use the land for (i) the *bona fide* production of crops, animal or fowl, including but not limited to, the production of fruits, vegetables, honey, grains, meat, poultry and dairy products, (ii) the raising of livestock and poultry, and (iii) the production and harvest of products from horticultural, silvicultural or aquacultural activity (collectively, an “Agricultural Use”). The concept of “Agricultural Use” also permits the repair, expansion or replacement of no more than one (1) *bona fide* dwelling occupied by the owner of the land or a tenant as of the date of the application for entry into the Program and no more than one freestanding mobile home, as permitted by Section 19-19 of the City Code, accessory or conditional uses directly related to agricultural activities conducted on the same land (including the sale of agricultural products as permitted by Section 401 of the City Zoning Ordinance), dog kennels, riding academies, horses for hire or boarding of horses allowed under Section 401(a) of the City Zoning Ordinance, recreational and amusement activities allowed under Section 401(c) of the City Zoning Ordinance, and septic tanks and drainfields approved by the Health Department and which cannot be located within an area not encumbered by an agricultural land preservation easement. The term “Agricultural Use,” however, does not include the processing of agricultural, silvicultural, horticultural or aquacultural products, except as an accessory use.

Repurchase Petition

At any time after the expiration of twenty-five (25) years from the date the Easement is recorded, the owner of the land may petition the City Council to repurchase the Development Rights on the property. The City Council may, by vote of not less than three-fourths (¾) of all of its members and in accordance with all procedural requirements then governing the sale of municipal interest in real estate, authorize the sale of the Development Rights to the petitioning party at the then current fair market value of such Development Rights and upon such terms and conditions as may be fair and reasonable. No such sale, however, shall be authorized unless (i) the City Council determines by ordinance that (a) the sale of the Development Rights is essential to the orderly development and growth of the City, and (b) development of the land for nonagricultural uses would be in accordance with the Comprehensive Plan then in effect, and (ii) there is substituted other real property interests which are (a) of at least equal fair market value (b) of greater value as permanent open-space land (within the meaning of the Open Space Land Act) than the Easement and (c) as of nearly as possible equivalent usefulness and location for use as permanent open-space land (within the meaning of the Open Space Land Act) as the Easement, unless the City Council determines by ordinance that the preservation easement upon the property which is the subject of the petition is no longer needed, that substitution of other preservation easements is not feasible, and that no state or federal funds were used in connection with the acquisition of the development rights upon the property which is the subject of the petition.

THE CONVEYANCE BY THE SELLER TO THE CITY OF THE DEVELOPMENT RIGHTS OF A PARCEL OF LAND IS IN PERPETUITY. NOTWITHSTANDING THE RIGHT TO PETITION THE CITY COUNCIL TO REPURCHASE SUCH DEVELOPMENT RIGHTS, IT IS IMPOSSIBLE TO FORESEE WHETHER THE REPURCHASE OF THE DEVELOPMENT RIGHTS WOULD BE PERMITTED BY THE ORDINANCE OR THE OPEN SPACE LAND ACT

AND, THEREFORE, THE SELLER SHOULD ASSUME THAT SUCH DEVELOPMENT RIGHTS CANNOT BE REACQUIRED.

Exchange Petition

At any time after an Easement has been acquired, the owner of the land may petition the City Council for extinguishment of such Easement in exchange for the conveyance to the City of an easement on a different portion of the owner's land meeting all of the eligibility criteria. The City Council is required to approve such exchange upon the finding that (i) the acquisition of the proposed easement in lieu of the existing Easement does not adversely affect the City's interest in accomplishing the purposes of the Ordinance and is essential to the orderly development and growth of the City, (ii) the proposed easement area meets all of the eligibility requirements, (iii) the value of the Development Rights of the land proposed for exchange is no less than the value of the Development Rights of the land on which the existing Easement is situated, (iv) the exchange is in accordance with the official Comprehensive Plan of the City then in effect, AND (v) the exchange meets the requirements of the Open Space Land Act including, without limitation, the requirements pertaining to Repurchase Petitions, as set forth in the section of this Disclosure Statement entitled "Repurchase Petition." The only consideration that may be given by the City in exchange for the new easement is the extinguishment of the existing Easement.

IT IS IMPOSSIBLE TO FORESEE WHETHER CONDITIONS WOULD EXIST FOR THE EXCHANGE OF AN EASEMENT FOR A NEW EASEMENT UNDER THE ORDINANCE OR THE OPEN SPACE LAND ACT AND, ACCORDINGLY, THE SELLER SHOULD ASSUME THAT AFTER CONVEYING THE DEVELOPMENT RIGHTS TO THE CITY THE EASEMENT CREATED THEREBY WILL NOT BE EXTINGUISHED PURSUANT TO AN EXCHANGE PERMITTED UNDER THE ORDINANCE.

THE INSTALLMENT PURCHASE AGREEMENT

Payment of the Purchase Price

By execution and delivery of the Installment Purchase Agreement, the City will agree to pay the Purchase Price of the Easement to the registered owner (the "Registered Owner") of the Installment Purchase Agreement in a single installment at maturity.

Interest on the unpaid principal balance of the Purchase Price will accrue from the date of delivery of the Deed of Easement to the Clerk's Office of the Circuit Court of the City of Virginia Beach for recordation and is payable to the Registered Owner on June 1 and December 1 in each year (each, an "Interest Payment Date") at the rate of interest set forth therein. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Both the Purchase Price and the interest on the unpaid balance thereof are payable in lawful money of the United States of America, at the time of payment.

Payment of interest on the unpaid principal balance of the Purchase Price shall be made by the City on each Interest Payment Date to Wachovia Bank, National Association, as registrar for the Installment Purchase Agreement (the "Registrar"), who will forward all such payments (other than the single installment of the Purchase Price), to the person appearing on the registration books of the City maintained by the Registrar as the Registered Owner of the Installment Purchase Agreement as it appears on such registration books as of the fifteenth (15th) day of the calendar month preceding such Interest Payment Date. The single installment of principal of the Purchase Price shall be paid by the Registrar to the Registered Owner of the Installment Purchase Agreement upon presentation and surrender of the Installment Purchase Agreement at the office of the Registrar.

Security and Sources of Payment

The Installment Purchase Agreement is a general obligation of the City and the full faith and credit and unlimited taxing power of the City are irrevocably pledged to the punctual payment of the Purchase Price and the interest on the unpaid balance of the Purchase Price as and when the same respectively become due and payable.

Notwithstanding the foregoing, the City expects to pay the interest on the unpaid portion of the Purchase Price from the moneys now held or hereafter deposited in the City of Virginia Beach Agricultural Reserve Program Special Revenue Fund, together with the investment earnings thereon.

The City will budget a portion of its annual real estate taxes for the Agricultural Reserve Program Special Revenue Fund. However, because the Installment Purchase Agreement is a general obligation of the City, in the event the amounts available in the Agricultural Reserve Program Special Revenue Fund in any fiscal year during which any portion of the Purchase Price outstanding are insufficient to pay the annual interest on the outstanding balance of the Purchase Price, the City shall levy or cause to be levied ad valorem taxes on real and personal property subject to taxation by the City in an amount sufficient, together with other available funds, to pay annual interest and to pay such maturing installment of the Purchase Price.

Restrictions on Transfer

During the one year period (the "Restricted Transfer Period") following the full execution and delivery of the Installment Purchase Agreement, the Registered Owner may not transfer ownership of the Installment Purchase Agreement except pursuant to an "Estate Settlement Transfer". An Estate Settlement Transfer is a transfer by the legal representative of the estate of a deceased Registered Owner of such Registered Owner's rights which transfer is made in connection with the distribution of the assets of the estate for purposes of settlement of the estate. Subsequent to the Restricted Transfer Period, the Registered Owner may transfer ownership of the Installment Purchase Agreement by causing the registration of such transfer on the registration books of the Registrar in accordance with the registration procedures set forth in the Installment Purchase Agreement. THERE IS NO ESTABLISHED MARKET, AND NO EXPECTATION THAT A MARKET WILL BE ESTABLISHED IN THE FUTURE, FOR THE INSTALLMENT PURCHASE AGREEMENT AND THE REGISTERED OWNER SHOULD ASSUME THAT EVEN AFTER

THE EXPIRATION OF THE RESTRICTED TRANSFER PERIOD, THE REGISTERED OWNER WILL NOT BE ABLE TO LIQUIDATE THE INVESTMENT IN THE INSTALLMENT PURCHASE AGREEMENT AND MAY HAVE TO HOLD IT INDEFINITELY.

THE CITY

The City is a municipal corporation and political subdivision of the Commonwealth of Virginia and is the purchaser under the Installment Purchase Agreement. Information concerning the City and its financial condition, its government and other matters relating to the City are included in the City's Official Statement for its most recent general obligation bond issue, a copy of which is included herein as **Appendix C**. Information concerning certain developments in the City since the date of such Official Statement is included as **Appendix D**.

TAX EXEMPTIONS

Upon the execution and delivery of the Installment Purchase Agreement, it is expected that Kaufman & Canoles, P.C., Bond Counsel, will render its opinion to the effect that under existing laws, regulations, rulings and decisions, interest on the Installment Purchase Agreement will not be includable in the gross income of the Registered Owner thereof for purposes of federal income taxation, assuming continuous compliance with the covenants and agreements in the City's Tax Certificate and Compliance Agreement (the "Tax Certificate and Compliance Agreement") executed and delivered by the City on the Closing Date which are designed to meet the requirements of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect, or proposed from time to time, with respect thereto (collectively, the "Code"). It is also expected that Bond Counsel will render an opinion to the effect that interest on the Installment Purchase Agreement does not represent a tax preference item for purposes of computation of the alternative minimum tax applicable to individuals and corporations. However, for purposes of computing the alternative minimum tax imposed on certain corporations, interest on the Installment Purchase Agreement is included in the "adjusted current earnings."

In order to comply with the requirements (to the extent they are applicable to the Installment Purchase Agreement) of Sections 103 and 141 through 150 of the Code, the City will enter into the Tax Certificate and Compliance Agreement which provides, among other things, that the City will not commit, perform, or cause to be committed or performed any act which will adversely affect the exclusion of the interest on the Installment Purchase Agreement from gross income of the Registered Owner thereof for purposes of federal income taxation, or fail or refuse to commit or perform any act, the result of which failure or refusal will adversely affect such exclusion. In particular, the Tax Certificate and Compliance Agreement provides that the City will not make any use of any moneys, securities or other obligations on deposit to the credit of the City or otherwise that may be deemed by the Internal Revenue Service to be proceeds of the Installment Purchase Agreement that would cause the Installment Purchase Agreement to be an "arbitrage bond" within the meaning of Section 148 of the Code.

Bond Counsel's opinion is expected to state that interest on the Installment Purchase Agreement may become includable in the gross income of the Registered Owner thereof for purposes of federal income taxation as of the date of the initial issuance of the Installment Purchase Agreement, if moneys deemed to be "proceeds" of the Installment Purchase Agreement are used or spent other than as contemplated in the Tax Certificate and Compliance Agreement or in some other manner that would cause the Installment Purchase Agreement to be an "arbitrage bond" under Section 148 of the Code.

In the event of noncompliance with the covenants and agreements contained in the Tax Certificate and Compliance Agreement, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Installment Purchase Agreement from becoming includable in the gross income of the Registered Owner thereof for purposes of federal income taxation.

Bond Counsel will assume no responsibility for, and will not monitor, compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement.

As to questions of fact material to Bond Counsel's opinion, without undertaking to verify the same by independent investigation, Bond Counsel will rely upon representations of the Seller and the City contained in the Installment Purchase Agreement and other certificates, the certified proceedings of the City, and certifications by public officials.

Other Tax Matters

In addition to the matters addressed above, a prospective Seller should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, corporations, certain foreign corporation subject to branch profits tax, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations. Prospective Sellers should consult with their tax advisors as to the applicability and impact of such consequences.

In addition, under existing laws of the Commonwealth of Virginia, the interest payable on the Installment Purchase Agreement will be exempt from all income taxation by the Commonwealth of Virginia, or by any of its political subdivisions.

Interest on the Installment Purchase Agreement may be subject to state or local income taxes in jurisdictions other than the Commonwealth of Virginia under applicable state or local tax laws. A Registered Owner of the Installment Purchase Agreement should consult its own tax advisor with respect to the status of the Installment Purchase Agreement in a particular state or local jurisdiction other than the Commonwealth of Virginia.

FINALLY, A REGISTERED OWNER SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO TAX CONSIDERATIONS RELATED TO THE TRANSACTION WHICH ARE NOT DISCUSSED HEREIN SUCH AS, BUT NOT LIMITED TO, INSTALLMENT SALES TREATMENT UNDER SECTION 453 OF THE CODE, CHARITABLE CONTRIBUTION DEDUCTIONS UNDER SECTION 170 OF THE CODE AND FEDERAL ESTATE TAX CONSIDERATIONS. A REGISTERED OWNER MAY NOT LOOK TO, OR RELY UPON, THE CITY OR ANY OF ITS OFFICIALS, AGENTS OR EMPLOYEES OR BOND COUNSEL WITH RESPECT TO ANY SUCH MATTERS.

See **Appendix B** for the proposed form of opinion of Bond Counsel with respect to the Installment Purchase Agreement.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the execution and delivery of the Installment Purchase Agreement are subject to the approval of Kaufman & Canoles, P.C., Virginia Beach, Virginia, Bond Counsel. Execution and delivery of the Installment Purchase Agreement are conditioned upon delivery by Bond Counsel of an opinion substantially in the form set forth in **Appendix B** to this Disclosure Statement.

MISCELLANEOUS

This Disclosure Statement includes descriptions of the terms of the Installment Purchase Agreement. Such descriptions do not purport to be complete and all such descriptions and references thereto are qualified in their entirety by reference to such document.

Any statements made in this Disclosure Statement involving matters of opinion, whether or not expressly so stated, are set forth as such and not as representations of fact.

The attached **Appendices A through D** are integral parts of this Disclosure Statement and should be read in their entirety together with the foregoing information.

Exemption Claimed: §58.1-811(A)(3)

This instrument was prepared by
Virginia Beach City Attorney's Office

APPENDIX A

FORM OF DEED OF EASEMENT

DEED OF EASEMENT

Comment [COMMENT1]: This document contains auto. numbering. Please do not delete.

THIS DEED OF EASEMENT is made this ____ day of _____, 20__, by and between _____ and _____ (collectively, the "Grantor"), index as a grantor, and CITY OF VIRGINIA BEACH, VIRGINIA, a body politic and corporate of the Commonwealth of Virginia (the "City") whose address is Municipal Center, Virginia Beach, Virginia 23456, index as a grantee.

RECITALS

WHEREAS, pursuant to the authority granted by the Open-Space Land Act, Chapter 17, Title 10.1 of the Code of Virginia of 1950, as amended (the "Act"), the City adopted the Agricultural Lands Preservation Ordinance (the "Ordinance") as Appendix J to the Code of the City of Virginia Beach, Virginia, as amended (the "City Code"), to promote and encourage the preservation of agricultural land in designated areas within the southern portion of the City; and

WHEREAS, in furtherance of the purposes of the Act and the Ordinance, the City has established the Agricultural Reserve Program of the City which provides for the acquisition of development rights through the purchase of agricultural land preservation easements with respect to property located in the portions of the City covered by the Ordinance; and

WHEREAS, the Grantor is the owner in fee simple of certain agricultural real property located in the City and more particularly described in **Exhibit A** hereto (the "Land"); and

WHEREAS, the Land is located in that portion of the City subject to the Ordinance and meets the eligibility criteria of Section 7 of the Ordinance; and

WHEREAS, the Grantor has agreed to sell to the City the Grantor's Development Rights (hereinafter defined) in the Land by executing and delivering this Deed of Easement and thereby restrict the use of the Land as described herein; and

GPIN: #

WHEREAS, the City has agreed to purchase the Grantor's Development Rights in the Land to fulfill the policy and purposes of the City as set forth in the Act and the Ordinance; and

WHEREAS, the transfer by the Grantor of the Development Rights in the Land shall be in perpetuity; and

WHEREAS, in order to provide for the payment of the purchase price for the rights in the Land created hereby, the Grantor and the City have entered into an Installment Purchase Agreement of even date herewith (the "Installment Purchase Agreement");

GRANT

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00), the covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor, for Grantor, Grantor's heirs, personal representatives, devisees, successors and assigns, and for any subsequent owner of the Land does hereby grant and convey, with general warranty and English covenants of title, unto the City, and its successors and assigns, forever and in perpetuity, an agricultural land preservation easement in, on, over and with respect to the Land restricting the use of the Land to such uses as are expressly allowed by this Deed of Easement, and in furtherance thereof, does hereby grant and convey, with general warranty and English covenants of title, to the City, and its successors and assigns, forever and in perpetuity, all of the Development Rights with respect to the Land, except as expressly provided in Paragraph (B) (3) of this Deed of Easement .

TERMS, COVENANTS, CONDITIONS AND AGREEMENTS

A. The Grantor for Grantor, Grantor's heirs, personal representatives, devisees, successors and assigns covenants with the City, (1) except as expressly provided in Paragraph (B) (3) of this Deed of Easement, to refrain from engaging in any act or activity, or permitting to occur or suffering to exist any act or activity upon the Land which would constitute the exercise of a Development Right or a use other than an Agricultural Use, it being the intention of the parties that the Land shall be preserved for Agricultural Use in accordance with the provisions of the Ordinance; and (2) that this Deed of Easement shall create a perpetual easement, running with the Land and all portions thereof as an incorporeal and nonpossessory interest therein, enforceable against the Grantor and upon any purchaser, grantee, lessee, owner or other transferee of all or any portion of the Land and any other person or entity having any right, title or interest therein and upon their respective heirs, personal representatives, devisees, successors and assigns; and (3) that the covenants, conditions, limitations and restrictions contained herein are intended to limit the use of the Land as herein set forth.

A. The parties, for themselves, their heirs, personal representatives, devisees, successors and assigns, further covenant and agree as follows:

(1) As used in this Deed of Easement the term "Development Rights" shall mean the right to develop the Land for any use, including without limitation, any commercial, industrial or residential use, other than for Agricultural Use.

(2) As used in this Deed of Easement the term "Agricultural Use" means (i) the bona fide production of crops, animal or fowl, including, but not limited to, the production of fruits, vegetables, honey, grains, meat, poultry and dairy products, the raising of livestock and poultry, and the production and harvest of products from horticultural, silvicultural or aquacultural activity, (ii) the repair, expansion or replacement of no more than one (1) bona fide dwelling occupied by the landowner or tenant as of the date of application for entry in the Agricultural Reserve Program and no more than one freestanding mobile home, as permitted by Section 19-19 of the Virginia Beach City Code, (iii) accessory or conditional uses directly related to agricultural activities conducted on the same land (including the sale of agricultural products as permitted by Section 401 of the City Zoning Ordinance), (iv) dog kennels, riding academies, horses for hire or boarding of horses allowed under Section 401(a) of the City Zoning Ordinance, (v) recreational and amusement activities allowed under Section 401(c) of the City Zoning Ordinance, and (vi) septic tanks and drainfields approved by the Health Department and which cannot be located within an area not encumbered by an agricultural land preservation easement. The term does not include the processing of agricultural, silvicultural, horticultural or aquacultural products, except as an accessory use.

(3) In addition to the right to use the Land for any Agricultural Use, as defined hereinabove, Landowner shall have the right, upon proper subdivision of the Land, to construct () single-family dwelling(s) upon the Land, together with such accessory uses and structures as are allowed by Section 401(b) of the City Zoning Ordinance. Lots so subdivided shall, to the extent possible, contain no more than three (3) acres of land encumbered by this Deed of Easement and shall be in compliance with all applicable laws, ordinances, regulations and requirements of the City, including, without limitation, the City Zoning Ordinance (City Code Appendix A) and Subdivision Regulations (City Code Appendix B). Except as expressly provided herein, the construction of such dwellings or accessory uses and structures shall not operate as a release of any portion of the Land from the terms, covenants, conditions and agreements set forth in this Deed of Easement.

(4) This Deed of Easement does not grant the public any right of entry or access or any rights of use of the Land.

(5) THIS EASEMENT SHALL EXIST IN PERPETUITY AND RUN WITH THE ENTIRE ACREAGE OF THE LAND.

(6) The purpose of this Deed of Easement shall be to (i) promote and encourage the preservation of farmland, and promote and enhance agriculture as an important industry within the City, (ii) preserve the rural character of the southern part of the City, (iii) conserve and protect environmentally sensitive lands, waters and other resources, (iv) reduce and defer the need for major infrastructure improvements in the southern part of the City and the expenditure of public funds for such improvements, (v) preserve open spaces, and (vi) assist in shaping the character, direction and timing of community development.

(7) In the event of a violation or attempted violation of any of the provisions hereof, the City and its successors and assigns, may institute and prosecute any proceeding at law or in equity to enforce the provisions hereof or to abate, prevent or enjoin any such violation or attempted violation.

WITNESS, the hand and seal of the Grantor as of the date first above written.

GRANTOR:

_____(SEAL)

_____(SEAL)

COMMONWEALTH OF VIRGINIA
AT LARGE, to-wit:

The foregoing instrument was acknowledged before me in the City of _____, Virginia, this _____ day of _____, 20____, by _____, Grantor.

Notary Public

(SEAL)

My Commission Expires:

COMMONWEALTH OF VIRGINIA
AT LARGE, to-wit:

The foregoing instrument was acknowledged before me in the City of _____, Virginia, this _____ day of _____, 20____, by _____, Grantor.

Notary Public

(SEAL)

My Commission Expires:

EXHIBIT A

[Insert Legal Description]

LESS AND EXCEPT all portions of the above-described property, if any, which contain any of the following soil types: (1) Back Bay Mucky Peat; (2) Dorovan Mucky Peat; (3) Nawney Silt Loam; or (4) Pamlico Mucky Peat, Poned.

[LESS AND EXCEPT that certain tract, piece or parcel of the above described property designated and described as “#” as shown on that certain plat entitled: “#”, Scale #” = #”, dated #, prepared by #, which plat is intended to be recorded simultaneously herewith.]

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

_____, 2000

City of Virginia Beach
Municipal Center
Virginia Beach, VA 23456

Ladies and Gentlemen:

We have acted as bond counsel in connection with the execution and delivery by the City of Virginia Beach, Virginia (the "City"), a body politic and corporate and a political subdivision of the Commonwealth of Virginia (the "State"), of an Installment Purchase Agreement (Agreement No. _____) dated as of _____ (the "Installment Purchase Agreement") with _____ (the "Seller").

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. The scope of our engagement as Bond Counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

Unless otherwise defined herein or unless the context clearly indicates otherwise, each capitalized term used in this opinion shall have the same meanings as set forth in the Installment Purchase Agreement.

We refer you to the Installment Purchase Agreement for a description of the purposes for which the Installment Purchase Agreement is entered into, the manner in which and times at which the principal of and interest on the Purchase Price are payable, the interest rate payable, and all other details of the Installment Purchase Agreement.

We have assumed that the Purchase Price, as set forth in the Installment Purchase Agreement, represents the fair market value of the Development Rights. As to other questions of

fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon representations of the Seller and the City contained in the Installment Purchase Agreement, the certified proceedings of the City and certifications by public officials.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We do not express any opinion herein concerning any law other than the law of the State and the federal law of the United States of America.

We have not examined, and express no opinion as to, the existence of or title to real or personal property, or as to the creation, validity or priority of any conveyance or assignment of, lien upon, pledge of or security interest in any real or personal property.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We have assumed the City will file, on or before the due date, a properly completed and executed Information Return For Tax-Exempt Governmental Obligations (IRS Form 8038-G) or Information Return for Small Tax-Exempt Governmental Bond Issues, Leases, and Installment Sales (IRS Form 8038-GC), as appropriate, with respect to the issuance of the Installment Purchase Agreement.

Based upon, and subject to, the foregoing, and on the basis of statutes, regulations and decisions existing on the date hereof, it is our opinion, as of the date hereof, that:

1. The City is a validly created and existing body politic and corporate and a political subdivision of the State with full power and authority under the laws of the State and the Charter and laws of the City to enter into and perform its obligations under the Installment Purchase Agreement.

2. The Installment Purchase Agreement has been duly and properly authorized, executed and delivered by the City, and, assuming the due and proper authorization, execution and delivery thereof by the Seller, constitutes the valid and legally binding obligation of the City to the payment of which, both principal and interest, the full faith and credit and taxing power of the City are irrevocably pledged.

3. Under existing laws of the State, the interest payable on the Installment Purchase Agreement will be exempt from all income taxation by the State, or by any of its political subdivisions.

Interest on the Installment Purchase Agreement may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. Each owner of the Installment Purchase Agreement (or of any beneficial interest therein) should consult his, her or its own tax advisor with respect to the status of the Installment Purchase Agreement (or such interest) in a particular state or local jurisdiction other than the State.

4. Assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement executed by the City on the date hereof (the "Tax Agreement"), under existing laws, regulations, rulings and decisions, the interest payable under the Installment Purchase Agreement is not includable in the gross income of the owner of the Installment Purchase Agreement for federal income tax purposes. The Tax Agreement contains covenants and procedures of the City which are designed to meet the requirements of the Code which are applicable to the exclusion of interest payable under the Installment Purchase Agreement from the gross income of the owner for federal income tax purposes. We assume no responsibility for, and will not monitor compliance with, the covenants and agreements set forth in the Tax Agreement.

However, interest on the Installment Purchase Agreement may become includable in the gross income of the registered owner of the Installment Purchase Agreement for purposes of federal income taxation pursuant to Section 103 of the Code as of the date of its initial execution and delivery, if moneys deemed to be "proceeds" of the Installment Purchase Agreement are used or spent other than as contemplated in the Tax Agreement or in some other manner that would cause the Installment Purchase Agreement to be an "arbitrage bond" under Section 148 of the Code.

We are also of the opinion that interest on the Installment Purchase Agreement does not represent a tax preference item for purposes of the computation of the alternative minimum tax applicable to individuals and corporations; it should be noted, however, that for purposes of computing the alternative minimum tax imposed on certain corporations, interest on the Installment Purchase Agreement is included in the "adjusted current earnings".

We express no opinion regarding the other federal or state tax consequences arising with respect to the Installment Purchase Agreement. All Registered Owners of the Installment Purchase Agreement should consult their own tax advisors regarding the possible federal or state tax consequences of ownership of the Installment Purchase Agreement. The Seller has acknowledged in the Installment Purchase Agreement that Seller has made its own independent investigation of the transaction and has consulted with attorneys, accountants and others selected by Seller in Seller's sole discretion with respect to all of such other tax considerations, and the Seller has certified that the Seller has not looked to or relied upon us or the City or any of the City's employees, agents or representatives with respect to any of such matters.

APPENDIX B

The rights of any owner of the Installment Purchase Agreement and the enforceability of the Installment Purchase Agreement are subject to: (a) the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance; (b) the valid exercise of the constitutional powers of the United States of America and of the sovereign police and taxing powers of state or other governmental units having jurisdiction; and (c) bankruptcy, insolvency, reorganization, moratorium or other laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable.

Very truly yours,

APPENDIX C

Appendix C, consisting of a copy of the Official Statement of the City of Virginia Beach dated September 23, 2004, follows.

APPENDIX D

INFORMATION CONCERNING DEVELOPMENTS IN THE CITY SINCE SEPTEMBER 23, 2004

Since September 23, 2004, the date of the City's Official Statement for its most recent Bond issues (the "Bond Official Statement") included as **Appendix C** to this Disclosure Statement, the following developments have occurred in Virginia Beach, Virginia:

NONE.